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INTELLIGENCE BRIEF

UNUSUAL EAST GERMAN TRADE IN FERTILIZERS MAY HELP FINANCE PURCHASES OF WESTERN CHEMICAL PLANTS

DIRECTORATE OF INTELLIGENCE
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Anomalous negotiations on trade in fertilizers are taking place between East Germany and West Germany. Although East Germany is a major producer and exporter of fertilizers, it is seeking permits to import on an interzonal exchange of commodities 100,000 tons* of nitrogen fertilizers per year for the next 4 to 6 years from West Germany; to double imports of phosphorus fertilizers; and, for the first time, to import potassium fertilizers. During meetings on interzonal trade between the two governments, extraordinary pressure has been exerted by the East German negotiator for action on these requests.

East Germany has exported approximately 100,000 tons of nitrogen fertilizers and 1 million tons of potassium fertilizers per year since 1959. The effort now to expand imports probably stems from the increased demand for fertilizers within East Germany and increased export commitments at a time when East German capacity to produce fertilizers is not increasing rapidly enough. East Germany may be hoping to earn more foreign exchange by exporting fertilizers to the Free World and replacing domestic supplies through interzonal barter trade.

1. Negotiations Concerning Imports of Fertilizers

A contract was signed in February 1964 between a West German firm and an East German trade organization for delivery of nitrogen fertilizers to East Germany. Under this contract, East Germany is to receive 100,000 tons of nitrogen fertilizers annually during 1964-67, with an option for 100,000 tons in both 1968 and 1969. The value of such deliveries totals about $87.5 million for the 4 years.** 2/ The contract includes a provision that none of these fertilizers is to be reexported from East Germany. 3/

* All quantities of fertilizers are expressed in terms of metric tons of nutrient content.

** Prices advertised by West Germany for calcium ammonium nitrate delivered in bulk in July and August 1964 were $245 and $248 per ton, respectively, or $24.5 million and $24.8 million, respectively, for 100,000 tons. 1/

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In April 1964, West Germany granted permits for approximately 40,000 tons of fertilizers, and the shipments reportedly have taken place. 4/ The East German representative repeatedly and urgently has requested permits for export of the remainder of the quota for 1964 and for the 1965 quota as well. Included in these continuing negotiations have been requests by East Germany for imports of "sizable" quantities of potassium fertilizers 5/ and for an increase in imports of phosphorus fertilizers from West Germany. In June, West Germany agreed to increase the value limit of annual deliveries of phosphorus fertilizers from $5 million to $7.5 million, but in July, East Germany requested that the increase be to $12.5 million. 6/

2. Production and Consumption

East Germany produces almost two-thirds of the entire output of fertilizers of the European Satellites, being second in volume only to the USSR. This superiority in production has enabled East Germany consistently to maintain large net exports of nitrogen and potassium fertilizers and to have the highest consumption of fertilizer per hectare of agricultural land of all the Communist countries. East Germany, however, has had to import phosphorus fertilizers. Furthermore, continued exports of nitrogen fertilizers by East Germany along with increased domestic demand have led to an annual deficit met by imports. (For consumption and supply of fertilizers in East Germany in 1959-63, see the table.)

A planned increase of 50,000 tons in commitments for exports of nitrogen fertilizers in 1964 and increases in domestic consumption require imports of about 100,000 tons at least through 1970. Inasmuch as considerable new productive capacity is unlikely to be added before 1970 -- when a new nitrogen fertilizer facility at Schwedt will increase production by about 100,000 tons, or by 30 percent -- East Germany most likely will need to use its option for 100,000 additional tons in 1968 and in 1969.

The East German requests for larger imports of phosphorus fertilizers probably reflect plans to increase consumption rapidly and perhaps to supply some phosphorus fertilizers to other Bloc countries.

Because East Germany is the fourth largest producer of potash salts in the world, its imports of potassium fertilizers are unprecedented. This situation suggests that the regime's continued efforts since 1958 to modernize the potash industry and to develop the new

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Zielitz mine are insufficient to meet either the production goals for 1965 or those for 1970. As a result, any effort to implement planned increases in domestic consumption of potash as a fertilizer and to maintain or increase exports would necessitate some imports to augment supply.

Although total exports planned for 1964 are unknown, reports of many individual negotiations with non-Communist countries have been made. The importance of a high level of exports in respect to payments for purchases of chemical equipment is revealed in the agreement to increase exports of potassium fertilizers to the UK from $9 million in 1963 to $11.25 million in 1964. In return, East Germany is to purchase about $8.4 million worth of equipment for producing plastics. 7/

3. Increases in Consumption and Exports

Although the quantity of fertilizer consumed in East Germany has grown only gradually since 1959, an increase of 40 percent is planned by 1970. In comparison with quantities delivered to agricultural organizations in 1963, additional quantities of approximately 105,000 tons of nitrogen fertilizers, 130,000 tons of phosphorus fertilizers, and 110,000 tons of potassium fertilizers will be required for domestic use by 1970.* Total planned exports of nitrogen and potassium fertilizers are not known, but commitments for the export of 50,000 additional tons of nitrogen fertilizers per year and the customary negotiations for export of potassium and nitrogen fertilizers to a wide range of non-Bloc customers have been reported during 1964. 9/

4. Conclusions

Apparently, East Germany plans to maintain a high level of exports of nitrogen and potassium fertilizers as well as to hasten implementation of planned increases in domestic consumption of all three types of fertilizers. The need to increase output of grain and fodder, presumably in part through greater use of fertilizers, has been made clear. More significantly, however, East Germany is engaged in negotiations with non-Bloc countries to make large-scale purchases of chemical plants, amounting to possibly 40 plants or

* Estimated on the assumption that total agricultural land in 1970 will be 6.4 million hectares, or approximately the same as in 1963. 8/

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more by 1970. 10/ Some of the foreign exchange needed for these purchases could be obtained from larger exports of nitrogen and potassium fertilizers. In view of the lack of immediate prospects for considerably increasing productive capacity for fertilizers, however, East Germany apparently is attempting to supplement domestic production by interzonal exchange of commodities with West Germany.

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Supply and Consumption of Fertilizer in East Germany a/
1959-63 and 1970

Metric Tons of Nutrient Content

Type of Fertilizer	1959	1960	1961	1962	1963	1970
Nitrogen						
Production	329,062	334,117	330,081	338,202	340,031	440,000 b/
Exports	102,272	113,967	105,894	101,109	92,709	N.A.
Available domestically	226,790	220,150	224,187	237,093	247,322	N.A.
Delivered to agriculture	235,300	235,400	255,900	257,200	282,600	386,900 c/
Residual d/	-8,510	-15,250	-31,713	-20,107	-35,278	N.A.
Phosphorus						
Production	138,817	165,750	171,856	180,964	196,335	N.A.
Imports	63,452	57,065	59,151	25,539	45,014	N.A.
Available domestically	202,269	222,815	231,007	206,503	241,349	N.A.
Delivered to agriculture	204,800	218,100	225,100	203,300	242,300	370,900 c/
Residual	-2,531	+4,715	+5,907	+3,203	-951	N.A.
Potassium						
Production e/	1,644,000	1,666,000	1,675,000	1,752,000	1,845,000	2,300,000 f/
Exports	1,041,000	1,092,000	1,047,000	1,147,000	1,161,000	N.A.
Available domestically	603,000	574,000	628,000	605,000	684,000	N.A.
Delivered to agriculture	522,800	497,000	513,400	511,300	544,600	655,500 c/
Residual	+80,200	+77,000	+114,600	+93,700	+139,400	N.A.

a. 11/
b. Plan figure. Production of nitrogen fertilizers in 1970 is to be 30 percent greater than in 1963.
c. Estimated on the basis of planned application of 60.5 kilograms, 58.0 kilograms, and 102.5 kilograms of nitrogen, phosphorus, and potassium fertilizers, respectively, per hectare on 6.4 million hectares of agricultural land.
d. Not including imports.
e. Including production of total potash salts. Roughly 5 percent of total production of potash is used for nonfertilizer purposes.
f. Plan figure.

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